

10/12/78

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Rafshoon to Pres. Carter, w/attachmets 2 pp., re:Robert Griffin	10/2/78	C
Memo	Kraft to Pres. Carter, w/attachments 4 pp., re:Personal comments	9/10/78	C
Memo	Brzezinski to Pres. Carter, w/attachments 3 pp., re:Visit of PM Chamanan (Thailand) <i>opened per RAC NLC-126-14-39-1-3, 6/27/13</i>	7/21/78	A
Memo	NcIntyre to Pres. Carter, w/attachments 13 pp., re:2nd Divisio in Korea	10/11/78	A

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THE WHITE HOUSE
WASHINGTON

10/12/78

Tim Kraft

The attached was returned in
the President's outbox today
and is forwarded to you for appro-
priate handling.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON

October 6, 1978

10

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TKaws

SUBJECT: Telephone Calls - Week of October 9, 1978

> Lady Bird Johnson
Signal Board

*TC - 10/12/78
was when he found at 5:45...
personal call back*

You have several topics you could discuss with Lady Bird: Congratulations on her new granddaughter, daughter (born a couple of months ago) of Lt., Gov. Chuck and Linda Robb; Chuck is doing a good job in Virginia; you can share, in confidence, with Lady Bird Rosalynn's commitment to Lucy Nugent to go on the Papal Coronation trip; you may want to ask her for any suggestions she may have for involving Linda Bird in some projects with RSC -- maybe the urban policy or neighborhoods; the status of races in Texas.

NOTES: Proud of C. David results. Granddaughter fine - Lucy excited = Krueger tough race.
John Hill favored - too much B - TV ads great

> John Sengstacke
Chicago, Illinois
(312/225-2400)

(attached clipping) TC 10/11/78

The Chicago Defender is the oldest (1905) and largest Black daily and the flagship of Sengstacke's 10-newspaper chain. John is the nephew of the founder and now chairman of the Board. He was the founder of the National Newspaper Publishers Association; the Organization of Editors of Black Newspapers. The Defender in recent months has become more supportive of the President. (Recent clips attached).

NOTES: Proud of Andy

Carter scores twice

President Jimmy Carter made a big hit with black citizens last week. First, he refused to bow to white pressure to fire Andrew Young and then he huddled with a number of black leaders and agreed to back their proposals to improve the life of minorities.

Even after UN Ambassador Young had apologized for his 'undiplomatic' statement and the President had accepted it, top government officials and other white leaders were clamoring for his resignation. But the President pointed out that Young was an important and valuable official who had greatly helped with U.S. policy in Africa and elsewhere.

The Chief Executive's session with black leaders, Rev. Jesse Jackson, Mayor Richard Hatcher, the Rev. Edward Riddick, Nancy Jefferson, Dr. Alvin Poussaint, Bunny Mitchell, Dr. Therman Evans and other presidential aides, was held to discuss black economic, educational and political opportunities. And the President promised to support the goals.

National PUSH president Jesse Jackson said the President also indicated that he would comply with a PUSH request to select a citizens committee to monitor the awarding of contracts and grants to minority groups. Also gaining Presidential interest was a proposal for a vigorous voter registration drive among high school students.

Detailed also were proposals for the establishment of a project medical school to train doctors for inner cities and plans to set up a new apprenticeship program for prisoners who lack job skills.

Before the meeting with the leaders, President Carter, in view of the Bakke case ruling, had reemphasized his commitment to the affirmation action program. Carter is to be lauded for his efforts on behalf of minorities.

Chc Def 7125-8

Chicago Defender

JOHN H. SENGSTACKE

Editor & Publisher



SENGSTACKE Newspapers

CHICAGO DAILY DEFENDER
MICHIGAN CRONICLE
FLORIDA COURIER
TRI STATE DEFENDER
GEORGIA COURIER

PITTSBURGH COURIER
OHIO COURIER
DETROIT COURIER
NATIONAL COURIER
PHILADELPHIA COURIER

Young and his critics

The raucous criticism that greeted the Carter Administration's choice of Andrew Young as U. S. Ambassador to the United Nations continues to hobble the Ambassador's every step at a frequency tinged with racism. Petitions with thousands of names have been signed for his removal, Britain Foreign Office does not like him and he has enemies in the White House and at the State Department.

Despite these obtrusive attitudes, Young is highly respected in the United Nations where he enjoys a reputation of being frank, honest and outspoken. The opposition to him grows out of three component reactions: First, Young is the first black to become chief U. S. delegate to the world organization; second, he is plain spoken and he sees the African problems in the perspective of the African expectation and design; third, he does not hide his meaning under the cloak of customary diplomacy with the traditional, nebulous and deceptive rhetoric.

Those are personal characteristics that will never endear Young in the hearts of white folk who would like to see him play the despicable legendary role of an Uncle Tom. Previous U. S. Ambassadors to the United Nations were State Department's glorified errand boys who followed to the letter the department's African policy of indifference and contempt.

Young is not a conformist. He was forged on the anvil of the civil rights struggle and sharpened his wit under the tutelage of a fearless strategist, Dr. Martin Luther King Jr. It is this legacy of direct, uncompromised facing of truth and realities which underpins Mr. Young's views and colors his policies.

Whatever the criticism, political realists in the administration know that Andrew Young has enough of a following among blacks to make him a power unto himself. Carter dares not dump him just to please the critics.

End U.S. colonialism ^{PANAMA}

The last vestige of colonialism in the West has been swept out of the way by the irrepressible march of history. The ratification of the Panama Canal treaties which brought President Carter to Panama was a proper occasion for celebration. For it was the most important event in the 20th century for Latin America.

The Panamanians put on a show that will be long remembered for its timeliness, brilliance and native flavor. The formal ceremony during which President Carter and Gen. Omar Torrijos exchanged the instruments of ratification marked a new day not only for Panama but as well for U. S. foreign policy in the perspective of Latin America as a whole.

There was much at stake beyond the projected transfer of the control of the Canal. Had the U. S. Senate failed to ratify the treaties, the South American people would have looked upon that as a hostile act that no explanation would soften however suavely couched in diplomatic niceties.

The treaties were therefore symbolic of the relationship of America to its Latin neighbors. This development may plug a hole in the Carter Administration's frail and incoherent foreign policy.

Previous administrations have neglected to face the question as who would control the Canal. After years of lingering indecision, the matter had become fraught with political consequences that no one was willing to risk. It is no more than right that Panama should control its own military destiny. Ownership of the Canal is a step toward that end.

Chic D. 6.20.
78

Carter and blacks

One hundred top black businessmen were told by President Carter that his Administration's efforts to improve opportunities for minority business have met with great initial success and have been accepted with enthusiasm by "almost most Americans."

The meeting took place at the White House. The President said: "I have not had any adverse reaction accusing us of setting up artificial or unwarranted quotas because I think there is a general recognition that in the past the opportunity has not been there for equal chance at government business and for a chance to compete on an equal basis in a free enterprise system."

Carter went on to say that he thought such a meeting could not have been possible 10 or 15 years ago. He said that the Administration has benefited by having a large number of black administrators in the government and urged the businessmen to continue to monitor the activities of his Administration and to offer advice and support.

"You serve as Americans, not as black Americans, and I would hope in the broad areas of civil rights in this country, human rights around the world, domestic affairs and foreign affairs, housing, education, health that you would use your own superlative positions in government and in business and in the professions to represent people in a much broader sense."

This sounds like a pep talk. We shall wait for the ensuing results.

6-29-80

THE WHITE HOUSE

WASHINGTON

October 12, 1978

MEETING WITH HOUSE MEMBERS ON ENERGY

Thursday, October 12, 1978

2:00 p.m. (15 minutes)

The Cabinet Room

From: Frank Moore *F.M.*

I. PURPOSE

To discuss the energy bill with selected Members of the House who are either undecided or leaning yes on the energy bill.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: This is a group of both Democrats and Republicans who are undecided or leaning yes on the issue of the bill and gas. There has been a massive effort on our behalf by the Hill, Industry and Administration forces. We are almost there on the package, so that we can send you an Energy Plan on Friday.

Participants: The President, Representatives Les Aspin (D-Wisc), Bob Carr (D-Mich), Tom Evans (R-Del), Millicent Fenwick (R-N.J.), Joe Gaydos (D-Pa), Harold Hollenbeck (R-N.J.), Barbara Jordan (D-TX), Abraham Kazen (D-TX), Matt McHugh (D-N.Y.), Stu McKinney (R-Conn), Marc Marks (R-Pa), Jim Mattox (D-TX), George O'Brien (R-Ill), Tom Railsback (R-Ill), Matt Rinaldo (R-N.J.), Jim Santini (D-Nev), Harold Sawyer (R-Mich), Pat Schroeder (D-Colo), John Seiberling (D-Ohio), Frank Moore, Bill Cable, Secretary Schlesinger, Les Goldman of the DOE staff, Jim Free, Valerie Pinson.

Press Plan: White House photographer only.

III. TALKING POINTS

1. This has been a long, difficult process. Like all compromises, there are parts which everyone can find fault with, but in the final analysis, it is a good first step on the road to a workable energy plan.

2. We need an energy plan -- you and I will be judged on your performance on this issue.
3. Tomorrow you will be asked to vote on a rule to package all parts of the energy plan into one bill. This is the method chosen by the House a year ago in April.
4. You can now complete the job you began so well last year. Vote for the previous question and the rule and the National Energy Plan.

THE WHITE HOUSE
WASHINGTON

10/12/78

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

CALL TO CONG. DELANEY

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

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	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

October 11, 1978

Talked
to him
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*
JIM FREE

SUBJECT: Call to Congressman John Delaney
on Supplemental Fiscal Assistance

As you know, the Supplemental Fiscal Assistance (Countercyclical) H.R. 2852, has been passed by the Senate. We have been trying over the past few weeks to bring this bill to the floor of the House for a vote. In order to do this we need a positive vote in the House Rules Committee.

The problem has been getting Chairman John Delaney to schedule a vote on this bill in the Rules Committee. Treasury and I think it is important that you call Delaney and ask him to schedule the vote when the Rules Committee meets tomorrow so that the bill can be sent to the floor for Friday action.

TALKING POINTS

- Tell Delaney that you are happy he has accepted your invitation to attend the new Pope's Inauguration in Rome.
- Thank him for the assistance he has provided the Administration over the last two years.
- Congratulate him on a great career and tell him his leadership in the House of Representatives will be sorely missed.
- Indicate to him that Supplemental Fiscal Assistance (countercyclical aid) is a top priority for the Administration. It is the key piece of the Administration's National Urban Policy.
- It is the one piece of legislation which recognizes the pressing need to continue assisting State and Local governments which have not fully shared the benefits of the improving national economy to meet their obligations to provide essential services without increasing local taxes.

The program preserves the basic concept of targeting Federal assistance to those governments which are most in need while broadening the regional distribution of funds to place greater emphasis on the tax effort, need and population of governments. The legislation has support from urban groups especially the Mayors.

- Delaney should be aware that the Administration expended substantial efforts trying to get this bill through the House Government Operations Subcommittee on Intergovernmental Relations and Human Resources. As you recall, L. H. Fountain and Chairman Jack Brooks, strongly opposed the Administration and the bill was defeated 7-6. It was only after this defeat that we went to the Senate first.
- Understand that Delaney has had conversations with Jim Free and has committed to trying to work out a solution.
- Note that New York City and New York State both receive quite a bit of money under this program:
(SEE FIGURES BELOW)
Delaney though does not get along with Mayor Koch so this has not been an influential factor.
- The Speaker has spoken to Delaney and expressed the support of the House Leadership for this proposal
- Treasury and the Administration feel that we have the votes in the Rules Committee to support a motion to bring this bill to the floor. The motion we would like is a closed rule with a straight up or down vote on the program.
- Our most recent headcount also shows that we have a majority of votes on the floor for this legislation

NYC:	42,444,313	-	1979
	43,074,784	-	1980
STATE:	64 million	-	1979
	65 million	-	1980

THE WHITE HOUSE
WASHINGTON

10/12/78

Fran Voorde

The attached was returned
in the President's outbox
today and is forwarded to
you for appropriate handling.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

OCTOBER 12, 1978

MR. PRESIDENT

WE HAVE CLEARED YOUR CALENDAR FOR
MONDAY, OCTOBER 16.

WE RECOMMEND, THEREFORE, THAT
YOU REMAIN AT CAMP DAVID THROUGH
MONDAY AFTERNOON. ROSALYNN'S
SCHEDULE IS ALSO CLEAR.

PHIL

Phil

APPROVE

DISAPPROVE

THE WHITE HOUSE
WASHINGTON
10/12/78

Zbig Brzezinski

The attached was returned
in the President's outbox
today and is forwarded
to you for appropriate
handling.

Rick Hutcheson

cc: Phil Wise
Fran Voorde

CONFIDENTIAL ATTACHMENT

DECLASSIFIED

Per: Rap Project

ESD#: H.C. 126-14-39-13

BY: [signature] NIA, DGE 6/29/88

THE WHITE HOUSE
WASHINGTON

C

10/11/78

MR. PRESIDENT:

State and NSC are anxious to have a firm date for a visit by the Prime Minister of Thailand.

I suggest January 16 as a tentative date to be committed as soon as your State of the Union speech is set.

APPROVE

DISAPPROVE

PHIL

Electrostatic Copy Made
for Preservation Purposes

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

4305
SCHEDULE PROPOSAL
DATE: July 21, 1978
FROM: Zbigniew Brzezinski
VIA: Phil Wise

~~CONFIDENTIAL~~

MEETING: Official visit to Washington by Thai Prime Minister Kriangsak Chamanan

DATE: January 1979

PURPOSE: To demonstrate the importance the United States attaches to continued close relations with Thailand and reinforce Prime Minister Kriangsak's constructive domestic and foreign policies.

FORMAT: - Arrival ceremony (30 minutes)
Oval Office meeting (60 minutes)
White House luncheon
- List of participants will be submitted later

CABINET PARTICIPATION: Secretary Vance; Secretary Brown

SPEECH MATERIAL: A briefing memo and talking points will be provided

PRESS COVERAGE: Meeting to be announced
Full press
Photo opportunity

STAFF: Zbigniew Brzezinski

RECOMMEND: Secretary Vance; Zbigniew Brzezinski

OPPOSED: None

PREVIOUS PARTICIPATION: You have not met Prime Minister Kriangsak

BACKGROUND: During his May visit to Bangkok, Vice President Mondale conveyed President Carter's written invitation to Prime Minister Kriangsak for an official visit to Washington "early in 1979". The essential foreign policy factor to be considered in determining the dates for the visit is that the trip not become enmeshed in Thai elections which must take place no later than April 1979.

DECLASSIFIED

Per, Rac Project

ESDN: NLG-12C-14-39-1-3

BY 145 NARA DATE 6/24/13

Approve

Disapprove

~~CONFIDENTIAL~~ GDS

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

October 11, 1978

MEETING WITH THE NEW YORK CONGRESSIONAL
DELEGATION AND GOVERNOR HUGH CAREY

Thursday, October 12, 1978

9:15 a.m. (15 minutes)

The Roosevelt Room

From: Frank Moore *Fm/Pd*

I. PURPOSE

To discuss Fort Drum.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: The delegation met ten days ago to discuss their stand on the energy bill. At that meeting, they decided they could not take a stand on the bill until they had an opportunity to talk to you about Fort Drum. The delegation feels that they were not given fair treatment by the Department of Defense; they have spoken with Secretary Brown, Deputy Secretary Duncan, and General Rogers, and were given conflicting stories about the status of the location of the 2nd division when it is withdrawn from Korea.

Further background in secret attachment.

Participants: The President, Senators Daniel Patrick Moynihan and Jacob Javits, Representatives Joe Addabbo, Jerry Ambro, Mario Biaggi, Jack Bingham, Shirley Chisholm, Barber Conable, James Delaney, Tom Downey, Ham Fish, Bob Garcia, Ben Gilman, Bill Green, Jim Hanley, Frank Horton, Jack Kemp, John LaFalce, Norman Lent, Matt McHugh, Donald Mitchell, John Murphy, Henry Nowak, Dick Ottinger, Ned Pattison, Otis Pike, Charlie Rangel, Fred Richmond, Ben Rosenthal, Steve Solarz, Sam Stratton, William Walsh, Lester Wolff, John Wydler, Leo Zeferetti, Governor Carey (invited, but may not attend), Frank Moore, Valerie Pinson, Bill Cable, Jim Free, Randy Jayne, Jim McIntyre.

Press Plan: White House photographer only.

III. TALKING POINTS

1. The New York delegation feels as if it has been treated poorly by the Department of Defense. You should state that you have asked the Army to re-evaluate the original study on the re-location of the 2nd division so as to treat New York and the Northeast fairly, but make no commitments as to the outcome.
2. This delegation is critical to the passage of the energy plan. After they have had their say on Fort Drum, in a very strong pitch, urge them to stay with you on the adoption of the rule and the passage of the energy bill.

THE WHITE HOUSE
WASHINGTON

10/12/78

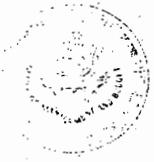
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

2254



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 12, 1978

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. McINTYRE, JR. *J. McIntyre*
SUBJECT: Proposed 1979 Supplemental Appropriation
for the Department of the Interior

Attached for your signature is a proposed budget supplemental for the Bureau of Indian Affairs in the amount of \$3,500,000 for fiscal year 1979.

The proposed supplemental appropriation would provide funds to pay the Federal share of a settlement agreed to by the State of Rhode Island, the Narragansett Tribe of Indians and certain private landowners. This request is too late to be considered by this session of Congress. However, we recommend that it be transmitted at this time to show good faith to the State of Rhode Island and the owners of the land to be acquired. This request will be re-transmitted in the fiscal year 1980 Budget. The details of this proposal are contained in the attachment to the memorandum.

RECOMMENDATION:

That you sign the letter transmitting this proposal to the Congress before it adjourns on Saturday, October 14.

Attachment

THE WHITE HOUSE
WASHINGTON

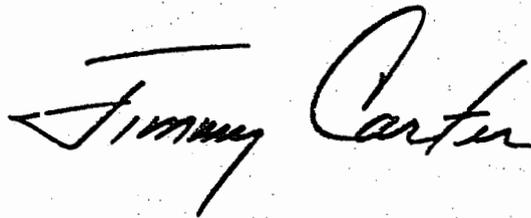
The Speaker of the
House of Representatives

Sir:

I ask the Congress to consider proposed supplemental appropriations for the fiscal year 1979 in the amount of \$3,500,000 for the Department of the Interior.

The details of this proposal are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the "Respectfully," text.

Enclosure

THE WHITE HOUSE
WASHINGTON

done
J

THURSDAY - OCT. 12, 1978
10:45 A.M.

MR. PRESIDENT

FYI, GOVERNOR BLAIR LEE CALLED
LATE LAST EVENING TO INFORM
YOU OF CONGRESSMAN GOODLOE
BYRON'S DEATH WHILE JOGGING.

FRANK MOORE RECOMMENDS YOU
CALL MRS. GOODLOE (BEVERLY)
IF YOU HAVE AN OPPORTUNITY.
(W.H. OPERATORS HAVE NUMBER).

PHIL

That parks - Antietam -
Everything ok.

Hwy Conf = 90%.

Takewrite not so good =

THE WHITE HOUSE

WASHINGTON

One house veto ok - beauty ok (2/3)

THURS. OCTOBER 12, 1978

10:15 a.m.

#52 → 53-B in budget ans.

MR. PRESIDENT

SENATOR BENTSEN CALLED.

(BOB THOMSON THINKS THE SENATOR
MAY WANT TO URGE YOU TO INCLUDE
SAN ANTONIO MISSIONS IN THE
PARKS BILL. BOB TALKED TO
JIM McINTYRE ABOUT THIS YESTERDAY
AND JIM IS GOING TO STAND
FIRM AGAINST INCLUDING IT.
THE SENATOR MAY WANT TO TALK TO
YOU ABOUT THE SURFACE TRANS-
PORTATION BILL. FOR THIS REASON,
BOB THINKS YOU SHOULD RETURN
THE CALL.)

PHIL

*done
J*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

10

October 11, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CLS}

SUBJECT: Tax Meeting with Long and Ullman

The following points of economic background may be useful for your meeting with Chairmen Long and Ullman tomorrow morning:

1. After much soul-searching I now believe a budget deficit of \$30 billion or below would be a desirable target for the FY 1980 budget. (This involves expenditures of about \$530 billion.) We do take a chance that the economy could soften and this would prove too restrictive. But for purposes of a successful anti-inflation program we will have to take that chance.

2. After discussions with OMB I believe it will be possible to reach that target, even after a \$20 billion tax reduction, without politically devastating budget cuts.

3. I think we could announce this in advance, as part of your anti-inflation message.

4. There is one major catch, however. If you sign a \$20 billion tax cut and announce your intention to restrict the budget deficit in 1980 to \$30 billion, there will be no possibility of proposing social security or other anti-inflation tax reductions. I do not believe there is any realistic chance of cutting expenditures another \$6 to \$10 billion below the \$530 billion level. Yet a social security or other anti-inflationary cuts would significantly help in the anti-inflation program.

5. If the Congress should give you a bad tax bill, however, you could veto it, ask only for an extender of the temporary tax cuts, and promise to come up with a reworked tax cut in January 1979. That cut could then include some anti-inflationary elements.

6. Given the history of the tax bill and our negotiations to date, you cannot lay down conditions at the meeting tomorrow that go beyond those that have been expressed earlier, as outlined in Mike Blumenthal's memo of September 7.

7. But I think you can strongly indicate there is no room to go one step beyond those conditions, especially in terms of:

- o A 1979 tax cut within the 1979 budget resolution.
- o Reducing the Senate out-year revenue losses by about \$5 billion.
- o Holding the capital gains cut to no more than \$2 billion (before feedback).
- o Preserving the minimum tax for preference items other than capital gains.
- o Enacting a substantial ^{minimum} alternative tax on capital gains (if there is any breach in the 50 percent exclusion).

8. In short, I think you are in a strong position to insist on your conditions. A veto, based on departure from these conditions, will actually put us in a position to have a more imaginative and effective anti-inflation program next year.

7:30 A.M.

BIUMENTHAL MEMO
October 11

NOTE: Stu Eizenstat's office
is preparing a cover memo
which will be put on your
desk this evening as soon
as it is finished.

Rick

THE WHITE HOUSE

WASHINGTON

MEETING WITH CHAIRMEN ULLMAN AND LONG

Thursday, October 12, 1978

7:30 a.m. (15 minutes)

The Oval Office

From: Frank Moore
Stu Eizenstat *Stu D.R.*
Bob Ginsburg

I. PURPOSE

To discuss the tax conference, which will begin shortly after this meeting. This morning's meeting has three basic objectives: (1) to let Ullman and Long hear directly your concerns about the tax bill; (2) to make certain they understand that you will not be able to sign a bill resembling either the House or the Senate version, and that substantial improvements will have to be made if you are to sign the final bill; and (3) to make certain that there is no doubt about the Administration's position on the most important items in the tax conference.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background:

1. The House bill would reduce taxes in calendar 1979 by about \$16.3 billion, or roughly \$3 billion less than that proposed by the Administration. The distribution of the individual income tax cuts was very inequitable in the House bill, with almost every income class up to \$50,000 bearing the same or a greater share of the total tax burden than it does under present law. The House bill reduced capital gains taxes by about \$1.9 billion (with special relief for homeowners accounting for about \$700 million of that total) and, in so doing, essentially repealed the minimum tax for capital gains. The House adopted only several reform proposals made by the Administration.

2. The Senate bill would reduce taxes in calendar 1979 by about \$29.3 billion, or roughly \$10 billion above the amount proposed by the Administration. The out-year costs of the Senate bill are even greater: the bill exceeds the Administration's budget projections by over \$10 billion in FY 1980.

The Senate bill has larger tax cuts for the low and middle income tax brackets than the House bill, but it also has over \$3 billion in capital gains reductions. As a result, although the tax cuts are larger than in the House bill, the overall distribution is not significantly different in the upper brackets. The 2 percent of all taxpayers who make over \$50,000 get about 25% of the total tax cut in the House bill and roughly 20% in the Senate bill. Under the House bill, the average taxpayer earning over \$200,000 gets a tax cut 200 times as large as the taxpayer earning between \$15,000 and \$20,000; the ratio is over 50 even for the Senate bill.

H
27.0% > #50T = 25%
S 20%

H 7200T = 200x15T
S > 200T = 50x15T

The Senate adopted only several minor reforms and added a long list of new special interest tax loopholes. The Senate also passed the Nunn Amendment, which you were asked about at the last press conference. That amendment provides across-the-board individual tax cuts for calendar years 1980 through 1983 at a revenue loss which could reach \$142 billion by 1983. These tax cuts would take effect only if: (a) Government spending increases in real terms by not more than 1% per year; (b) growth in spending is consistent with achieving a balanced budget by the end of FY 1982; and (c) spending is less than 21% of GNP in FY 1980, with the percentage decreasing annually until it reaches 19.5% by FY 1983.

S Complex

Clearly, the bill which the Senate passed is much worse than the House bill in terms of its size, new preferences, and simplicity.

3. Congress needs and wants a tax bill more than you do -- and Ullman and Long know that. Virtually any bill the conference reports out will be adopted by both Houses. Accordingly, Ullman and Long will have more flexibility to meet your demands in the conference than they did on the House and Senate floors. As a result, if we firmly indicate our demands, we have maximum leverage now to forge a bill which might meet your standards.

- B. Participants: Chairmen Ullman and Long, Secretary Blumenthal, Frank Moore, Stu Eizenstat, and Charlie Schultze.
- C. Press Plan: White House photographer only.

III. TALKING POINTS

- 1. Mike has sent you two memos (attached) which outline the general approach all of us believe the meeting should take. The memo Senator Kennedy discussed with you today is also attached.

2. We think that it is important that you forcefully communicate to the Chairmen that you are totally serious in insisting that the bill which emerges from conference be substantially better than that which passed either the House or the Senate.

H, S unacceptable

(a) Both the House and the Senate bills are unacceptable in their present forms. You and Secretary Blumenthal have repeatedly taken that position publicly and you have no intention of reversing yourselves now.

(b) Accordingly, the final product will have to be substantially better than either bill if there is to be any real prospect of your signing it.

(c) You will not sign a bill which does not meet your standards merely because of the upcoming elections. You are obligated to take a more long-run view of the bill as a matter of economic policy and overall fairness.

3. Although you should let Secretary Blumenthal handle the details of the bills, you might emphasize that:

Admin '79-80-81

(a) The final bill should be as close as possible to the Administration's proposal for FY 1979 and for the out-years as well. Because of our concerns about the deficit and inflation, we cannot afford excess out-year costs. The House bill satisfies these concerns; the Senate bill clearly does not.

% → > \$50K = 15%

(b) The overall distribution of the tax reductions (including capital gains) must be more favorable for low and middle income taxpayers. Secretary Blumenthal testified to the Finance Committee that the amount of the total cut (including capital gains) going to taxpayers who make above \$50,000 should be about 10 to 15 percent.

(c) A basic cause for the excessive out-year revenue losses and inequitable distribution lies in the reductions in capital gains taxes.* The capital gains reductions in

* You should not allow yourself to be drawn into any argument with Senator Long over whether capital gains tax reductions have significant "feedback" effects and are, accordingly, largely self-financing. There is little or no solid empirical evidence to support such a contention. Charlie Schultze has recently sent a letter to both Chairmen as well as the Chairmen of the Budget Committees pointing out as much.

the Senate bill should be substantially scaled back. The total capital gains reductions (including any special homeowner relief and any reduction in corporate capital gains taxes) should not be greater than \$2 billion.

(Note: The pure capital gains reductions for individuals in the House bill amounted to less than \$1 billion; the rest came from the special provision for homeowner relief and cuts in corporate capital gains taxes.) Any capital gains reductions must be accompanied by a strong and effective minimum tax.

(d) The final bill should retain the limited number of reform proposals passed by each House and should eliminate the raft of special provisions added in the Senate bill.

4. Secretary Blumenthal will be providing details of our position and will be speaking for me. You should work closely with him over the next several days to develop a tax bill that I can sign.

#2B Cap Gains >
Strong min tax
Reforms of both

Meeting with Bobby Shapiro -- Report

We met the other day with Bobby Shapiro, Chief of Staff of the Joint Tax Committee. He will be at the meeting tomorrow. Bobby suggested that it would be useful for us and helpful for Ullman and Long if the points set out below were made at your meeting. We do not, however, think that you should personally get into this kind of detail in the discussion. This is provided only to give you a picture of the direction the conference will hopefully take, based on Committee staff indications.

1. The Administration supports the Senate expansion of the earned income tax credit (which provides relief for the working poor) but wants larger tax cuts in the \$10,000-\$30,000 range.
 2. The Administration is as concerned about excessive out-year budget cost as we are about FY 1979 revenue losses. Specific examples of the kinds of out-year provisions which should be deleted are:
 - (a) the special standard deduction for heads of households; and
 - (b) the additional personal exemption for the disabled.
 3. We oppose any corporate rate reductions below 46 percent and we oppose any increase in accelerated depreciation in this bill.
 4. The Archer provision for indexing capital gains must be deleted.
 5. Any capital gains reductions must be accompanied by a strong minimum tax (one which raises at least \$1 billion).
 6. We favor the Senate homeowner capital gains provision over that passed by the House.
 7. We oppose the expansion of the special treatment for industrial development bond financing. We particularly oppose the advanced refunding provision that would benefit E.F. Hutton.
 8. The tuition tax credit provision must be deleted from the bill. (If it is contained in a separate bill, the President will veto it.)
- Tuition Tax credit*
- Am living abroad* Tax relief for Americans living abroad (Section 911) should not be added to the bill. If it is, the provision must be substantially similar to that which passed the Senate rather than the House version.

*"Cleanup" Cap Gains
at death*

10. Bobby indicates that it will be very difficult to get the "cleanup" provision we want for carryover basis of capital gains at death, and that both Houses want to merely defer this provision. Bobby says that Long and Ullman both prefer the cleanup but feel they do not have the votes to carry it. (Notwithstanding that, we agree with Treasury that the Administration should push hard for cleanup. This is precisely the kind of improvement that we can push through the conference and which both Houses will have to accept as part of the overall bill when they vote on the conference report. Deferral without cleanup may be tantamount to elimination of carryover basis, one of the most important tax reforms passed in the last 20 years.)

THE SECRETARY OF THE TREASURY
WASHINGTON

October 11, 1978

MEMORANDUM FOR THE PRESIDENT

The attached is for our meeting with Long and Ullman tomorrow. I will be calling you shortly.

A handwritten signature in black ink that reads "Mike". The letters are stylized and cursive.

W. Michael Blumenthal



THE SECRETARY OF THE TREASURY

WASHINGTON

October 11, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal *WMB*

Subject: Meeting with Chairmen Long and Ullman on the Tax Bill

My previous memo outlined the meeting's purpose in general terms. While we should avoid detailed bargaining at this meeting, you may wish to indicate your standards for an acceptable bill, along the following lines:

1. Revenue cost

- As amended on the Senate floor, the bill is clearly excessive. We assume, therefore, that the conference will quickly drop most of the Senate floor amendments and focus on finding a compromise between the House bill and the Senate Finance Committee bill. In particular, we could not accept the tuition tax credit, the outyear corporate rate cuts, the huge individual cuts, and the Nunn "expenditure limitation" tax cuts that were added by the full Senate.
- It is not enough that the final bill fit within the FY 1979 budget resolution. The outyear revenue costs must also be responsible, in light of our goal of reducing future budget deficits.
- While there are many different ways to measure the outyear revenue costs, the following numbers are instructive. For calendar year 1979, the revenue costs are

\$20.0 billion for the Administration's July tax proposals (including \$0.6 billion for tax reductions that are part of the urban program).

\$18.8 billion* for the House tax bill (including jobs tax credit)

\$26.5 billion* for the Senate Finance Committee bill (including jobs tax credit and 1.7 billion for liberalized earned income tax credit, which we has proposed for the early 1980's as part of welfare reform).

*/ These are our figures. The tax writing committee by contrast assumes that the expiration of the new jobs credit is a \$2.5 billion revenue gain.

This comparison shows that the Senate Finance Committee bill is too big, by about \$4 to \$5 billion. This extra cost simply must be removed.

(Note: These figures assume no revenue "feedback" from cutting capital gains taxes. Long may dispute the figures on that ground, or he may wish to use different years as a standard of comparison. We should avoid a detailed and confusing debate on these technical matters. The important point to make clear is that the Senate Finance Committee bill is clearly \$4-5 billion too big in its outyear revenue loss.)

2. Ways to pare back the Senate Finance Committee bill's revenue costs

a. Capital gains

- . We wish to keep the revenue cost of the capital gains provisions to about \$2 billion (exclusive of feedback), which is about what the House bill's provisions involve. The Senate Finance provisions would involve about \$3.8 billion (before feedback) in calendar 1979. (FYI: It is likely that the Conference will settle closer to \$2.5 billion.)

50% Excl Cap Gns

We oppose raising the exclusion percentage from the 50% figure in present law. The 70% figure in the Senate Finance Committee bill is unacceptable. And any rise in the percentage from 50% will be unacceptable unless accompanied by a genuinely strong alternative minimum tax.

- . The alternative minimum tax should combine the best features of the House and Senate Finance Committee's versions.

(FYI: Ideally, this would mean:

- retaining the current law minimum tax for non-capital gains preference income (as does the House bill)
- imposing a graduated alternative tax on capital gains preference income (as does the Senate Finance bill),

but with a top rate of 30% or 35%,
rather than the 25% top rate in the
Senate Finance bill.

-- imposing the tax on the same income
base as does the Senate Finance bill.

- . We suggest paring back somewhat the costs of
exempting from tax the capital gains from
residences. A flat \$100,000 exemption is too
high.

b. Corporate rate

no < 46%
The rate should be reduced only to 46%; i.e., the
outyear rate cuts added on the Senate floor are not
acceptable.

c. Earned income credit

We endorse liberalization of the credit but would
not resist some paring back of the \$1.7 billion in
calendar 1979 revenue cost from the Senate Finance
Committee provisions.

d. Other "big ticket" items that should be omitted

	CY 1979 Costs (\$ billions)
1. Extra personal exemption for disabled (\$500 in 1979 & 80; \$1,000 thereafter)	0.2
2. \$3,000 standard deduction for heads of households	0.5
3. Small business depreciation (Nelson amendment) (House provision would cost \$0.4 billion in CY 1979)	0.2
4. Tax credit for elderly	0.3
5. Additional contributions to pension plans Finance Committee bill would	0.3

permit employees to deduct contributions to private pension plans; deductibility limits would be \$1,000 for voluntary contribution (\$100 for mandatory contribution) or 10% of pay, if lower. Except for revenue consideration, the Administration would support this change.

- | | |
|---|-------|
| 6. Contributions in aid to construction | 0.1 |
| Finance Committee provided that nonshareholder contributions in aid of construction to regulated gas and electric companies are to be treated as nontaxable contributions to capital of the utility | |
| | <hr/> |
| | 1.6 |

e. Other objectionable features that should be omitted

It would not be productive to discuss the many small-cost tax breaks in the Senate version; Treasury can best handle those at the Conference. You might, however, mention:

- . the unacceptability of rolling back the "carryover basis" reform of the 1976 Tax Reform Act.
- . the general need for a "clean" bill.

3. The tax cuts for individuals

Ind C# 12 + B '79
We can accept CY 1979 net tax cuts for individuals (excluding the earned income credit) no greater than \$12.4 billion, i.e. the \$10.4 billion net tax reduction in the House bill plus \$2 billion addition rate cuts.

10T-40T focus
The additional rate cuts should be focused on the \$10-40,000 income brackets. The distribution profile of the Senate bill is far preferable to the House bill in this regard.

4. Conclusion

In sum, an acceptable bill should approach the following contours

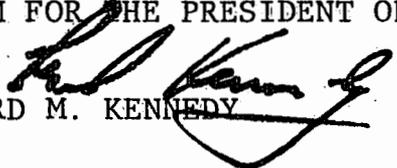
	CY 1979 Cost (\$ Billions)
Net Individual tax reductions	12.4
Business tax reductions	
Corporate top rate of 46%	5.1
Investment credit changes (90% limit and rehabilitation of buildings)	0.5
Targeted jobs credit	<u>0.4</u>
	6.0
Capital gains	2.0
Earned income credit	<u>1.7</u>
	<u> </u>
Total	22.1

Too high

This is \$2.1 billion over the \$20.0 billion in the Midsession Budget Review. Most of this overage is due to the earned income credit which the Administration proposed to liberalize beginning in 1982 as part of welfare reform.

OCTOBER 11, 1978

MEMORANDUM FOR THE PRESIDENT ON THE REVENUE ACT OF 1978


FROM EDWARD M. KENNEDY

As I mentioned in our telephone conversation, it is my strong view that your veto threat is a large pile of chips on your side of the table in the effort to persuade the House-Senate conferees to adopt a sensible and equitable tax cut bill before Congress goes home.

The mood on the Senate floor was not so much "anti-reform" as "cut and run." Cloture was the key vote, a clear sign that the Senate wanted to get the bill to conference quickly so we could all adjourn for the elections with a tax cut in hand.

No Senator running for re-election -- and I am sure the same applies to all House members running for re-election -- wants to go home without a tax cut for the average taxpayer. That sentiment is very strong. It dwarfs any sentiment for huge capital gains cuts, for large tax cuts in future years, for deferring carryover basis, or for the tuition tax credit (four of the worst features in the Senate bill).

My conclusion is that a strong veto threat will produce major concessions from the conferees in the areas that you and I care most about. For example, by insisting that the final bill will be vetoed if it goes beyond the House bill on capital gains (already excessive in its \$1 billion of relief), I believe you can prevent the sort of widely rumored compromise that the conferees will split the difference between the two bills (the Senate bill gives over \$3 billion of capital gains relief).

A similar firm line can, I believe, be drawn and held for each of your other top priorities. My guess is that both the House and Senate are prepared to jettison any specific provision in order to get a general tax reduction bill that you are prepared to sign before the elections. In other words, the "cut and run" instinct which worked against us on the Senate floor will work for you in the conference.

What if the strategy fails, and you have to veto the bill? A major question here is whether the health of the economy is good enough to wait until late March, when the new Congress will be able to enact a tax cut stimulus. A subsidiary question is how to avoid the increase in withholding rates scheduled for January 1 when the current temporary tax cuts expire. Both questions can be answered easily by a post-election session, which I do not fear as much as some other members. If we wait until the next Congress, the first order of business in January would have to be an immediate extension of the current withholding rates, to buy time for Congress to act on the needed tax cut. That would be manageable. Or an effort could be made to whisk through an extension bill in the final hours of this Congress, if a veto of the current bill becomes certain. I recognize that none of these alternatives is particularly satisfactory. But they are also very unlikely to materialize, since I'm convinced you can out-poker Senator Long at the conference table.

One final point on capital gains -- I'm enclosing a copy of the capital gains notes I circulated to other Senators in our losing effort on the Senate floor. Two things here:

First, as the revenue figures show, the 60% exclusion is so excessively generous that it is not a reasonable compromise.

Second, although the Senate bill is a Wall Street dream and their lobbyists ran us out of town in the Senate, I feel the widespread business support for huge capital gains cuts represents a serious conflict of interest -- they are putting their personal portfolios first and the interests of their corporations last.

For example, although we used the argument only obliquely in the debate, the SEC filings of the 42 members of the Policy Committee of the Business Roundtable show, without exception, that they all have large stockholdings in their own corporations and will benefit personally from the capital gains cut. Earlier, the Roundtable favored alternative methods of stimulating capital investment (such as corporate rate cuts or accelerated depreciation), which make much more economic sense. But they all seem to be back in the capital gains fold now.

A similar conflict of interest argument applies to the group of VIP's who wrote Senator Long in favor of capital gains tax cuts. Perhaps the old-timers in the Treasury can recall a worse tax bill. But I don't recall one.

CHANGES IN CAPITAL GAINS TAXATION

1. The Finance Committee reduction in capital gains taxes is excessive:

-- The top marginal rate on capital gains would be only 21% -- lower than the marginal rate of a worker with \$12,000 of taxable income.

-- The SFC bill provides a total capital gains tax reduction of \$3.2 billion, with \$2.3 billion going to the 1.4% of taxpayers with incomes over \$50,000.

-- Individuals with incomes over \$200,000 receive an average annual tax cut of over \$20,000 each.

2. Reductions in capital gains rates are an extremely inefficient method of stimulating capital investment. According to the Library of Congress, 75% of capital gains are in assets other than stock (primarily real estate). Even of the 25% that goes to stocks, most goes to large corporations; only a tiny percentage of the capital gains cuts will go to entrepreneurial activities and venture capital.

4. Any increased sales of stock will be a one-shot, short-term phenomenon. There will be no long-term effect on levels of stock sales. The Feldstein research, on which such claims are based, has been discredited by the Treasury, the Council of Economic Advisers, and impartial economists. Hardly by coincidence, corporate executives and financial advisers supporting the proposal also have large personal portfolios of stock that will benefit from large capital gains cuts.

5. Capital gains cuts are an irrational method of offsetting inflation -- the person who holds stock for a year gets the same tax reduction as the person who has held stock for 25 years. Moreover, inflation protection for the rich is a low priority. If Congress is to protect assets from inflation, it should begin with inflationary losses suffered by average taxpayers in savings accounts, life insurance policies and savings bonds.

6. The committee cut in capital gains rates is inconsistent with the capital gains proposals of the Kennedy Administration in 1963, because the bill fails to couple capital gains cuts with other major capital gains changes proposed in 1963 as a package -- such as taxing capital gains at death. These changes would have made a comprehensive revision of capital gains rules.

7. The revenue "gains" based on so-called "feedback" effects are a modern version of the old "trickle down" theory that has been rejected as unwise economic policy so many times in the past.

8. There is no relation between stock prices and capital gains rates; stock prices actually rose to an all-time high after the 1969 change that increased the tax rates on capital gains.

9. The ratio of investment to GNP in the U.S. (Table I) was 10.6% for the first half of 1978, which is higher than the average since World War II and close to the 1966 post-war peak of 10.8%. Additional investment may be desirable, but proponents of large cuts in capital gains ignore the fact that current investment is good by historical standards.

10. Other nations do tax capital gains -- Canada and the United Kingdom, for example. Still other nations tax some capital gains as ordinary income (i.e. with no special lower rate for capital gains). In addition, all major Western European nations impose an annual net wealth tax on capital.

11. OECD statistics (Table II) on the ratio of tax receipts to GNP for foreign nations show that U.S. taxes are not out of line. In fact, European nations rely much more heavily on regressive payroll and value-added taxes, which the U.S. is wise to avoid.

CHANGES IN TAXATION OF CAPITAL GAINS

<u>INCOME GROUP</u>	<u>% OF RETURNS IN CLASS</u>	<u>70% EXCLUSION (SFC)</u>		<u>60% EXCLUSION</u>		<u>50% EXCLUSION</u>	
		<u>COST \$MILLION</u>	<u>AVERAGE TAX CUT</u>	<u>COST \$MILLION</u>	<u>AVERAGE TAX CUT</u>	<u>COST \$MILLION</u>	<u>AVERAGE TAX CUT</u>
0-\$50,000	98.6%	\$ 859	\$ 226	\$ 553	\$ 145	\$ 200	\$ 58
\$50-100,000	1.1	829	1,713	605	1,250	343	709
\$100-200,000	0.2	489	3,396	352	2,444	175	1,215
Over 200,000	0.1	<u>1,112</u>	<u>22,240</u>	<u>889</u>	<u>17,780</u>	<u>449</u>	<u>8,980</u>
	100.0%	\$3,288	\$ 734	\$2,398	\$ 535	\$1,187	\$ 265

Table I. Business Fixed Investment as a Percent of the Gross National Product in Current and Constant Dollars, 1929, 1946-Second Quarter 1978.

Year	Current dollars	1972 dollars
1929	10.2	11.8
1946	8.0	8.8
1947	9.8	10.4
1948	10.1	10.5
1949	9.4	9.4
1950	9.5	9.4
1951	9.4	8.2
1952	9.0	8.7
1953	9.4	9.1
1954	9.3	9.0
1955	9.6	9.3
1956	10.4	9.7
1957	10.5	9.7
1958	9.3	8.7
1959	9.3	8.7
1960	9.4	9.0
1961	9.0	8.7
1962	9.1	8.9
1963	9.0	8.8
1964	9.4	9.3
1965	10.4	10.3
1966	10.8	10.8
1967	10.3	10.3
1968	10.3	10.3
1969	10.6	10.6
1970	10.2	10.2
1971	9.8	9.8
1972	10.0	10.0
1973	10.4	10.6
1974	10.7	10.7
1975	9.8	9.4
1976	9.7	9.4
1977	10.1	9.7
1978:I	10.3	9.9
:II	10.6	10.2
Averages		
1947-54	9.5	9.5
1955-64	9.5	9.1
1965-74	10.4	10.4
1975-78:II	10.0	9.6

SOURCE: Bureau of Economic Analysis, Department of Commerce

Table II. Tax Revenues as a Percent of Gross Domestic Product, by Source, Selected Countries, 1975^a

Country	Tax Source						Total
	Individual income	Corporate income	Payroll	Goods and services ^b	Property	Wealth ^c	
Netherlands	12.7	3.6	18.0	11.6	0.6	0.4	46.9
Sweden	21.2	2.0	10.8	11.6	e	0.3	46.0
Norway	17.1	1.3	8.3	17.1	0.2	0.8	44.7
Denmark	23.9	1.4	0.5	15.2	1.7	0.4	43.0
Belgium	13.2	3.1	13.1	11.6	-	0.3	41.4
Austria	8.4	1.6	14.4	13.9	0.3	0.6	39.2
France	4.6	2.0	15.2	14.2	0.7	0.3	36.9
United Kingdom	14.3	1.9	6.7	9.6	4.0	0.3	36.8
Germany	10.6	1.6	12.3	9.8	0.4	0.5	35.2
Canada	11.5 ^d	4.8 ^d	3.3	11.2	2.8	0.3	34.0
Italy	5.0	2.0	14.8	10.4	0.1	0.1	32.3
United States	10.0	3.3	7.4	5.5	3.7	0.4	30.3
Japan	5.1	3.4	5.1	5.2	1.2	0.2	20.2

Source: Organization for Economic Cooperation and Development, Revenue Statistics of OECD Member Countries, 1965-75 (Paris: OECD, 1977). Data are for calendar years except for the United States (fiscal year begins July 1) and Japan (fiscal year begins April 1). Figures are rounded.

a. Includes national and local taxes.

b. Includes sales, value added, and excise taxes, taxes on imports, exports and transfers of property and other securities, and transactions taxes paid by enterprises.

c. Includes annual net wealth taxes and death and gift taxes.

d. Adjusted to include unallocable income taxes in proportion to individual and corporation income tax revenues.

e. Less than 0.05 percent.

BLUMENTHAL MEMO
October 7

10:15 AM



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

SEP 11 1978

MEMORANDUM TO THE PRESIDENT

From: W. Michael Blumenthal *WMB/BL*

Subject: Your meeting with Long and Ullman on the tax bill

The purpose of your meeting is to let Long and Ullman know:

1. You want a tax bill.
2. You will, however, not sign one, unless it meets your minimum requirements.
3. You expect them to work closely with me on getting an acceptable bill.

I recommend you avoid going into specifics or details. The important things to emphasize are:

1. The out-year costs of the Senate bill are excessive. It is absolutely essential to get the out-year costs to the size you have proposed (\$19.4 billion for calendar year 1979). To get the out-year costs down, it will be necessary for the Conference Committee to scale down capital gains reductions, drop ADR liberalization and the general jobs credit, and make additional cutbacks. You expect me to work out with them the means of accomplishing this goal.
2. Although you are prepared to sign a bill with capital gains reductions, the level of reduction in the Senate bill is not acceptable.
 - The Archer amendment for indexing capital gains must be dropped.
 - The 1976 Act carryover basis provisions should not be postponed -- they should be cleaned up.

The capital gains reductions should not exceed more than \$2 billion in calendar year 1979 before any assumed feedback effect from increased realizations of capital gains. (They may wish to draw you into an acceptable percentage exclusion. I recommend that you not accept any particular percentage exclusion for capital gains in order to avoid any concession. Your strong preference is to keep the present 50 percent exclusion.)

3. Any capital gains reduction should be accompanied by a satisfactory minimum tax. It should combine the best features of the House and Senate bills.
4. The distribution of the tax reduction by income class must be at least as progressive as the Senate bill once capital gains have been scaled back. We must be able to show that the middle class, those with incomes of \$10,000 to \$50,000 per year, have a reduction in their share of the total income tax burden. Taxpayers in income classes of \$20,000-\$50,000 were particularly hard hit by the social security tax increases enacted last year.
5. You hope the Conferees will keep the reform elements of each bill. A large number of undesirable features have been added in the Senate Finance Committee and on the Senate floor. The Treasury has a list of the objectionable amendments. Unless most of them are dropped in Conference, our major objectives will not be met.

10:15 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH CHAIRMEN ULLMAN AND LONG

~~wed.~~ Tuesday, October 10, 1978

10:15 a.m. (15 minutes)

The Oval Office

Postponed

From: Frank Moore
Stu Eizenstat *Stu*
Bob Ginsburg

I. PURPOSE

To discuss the upcoming conference on the tax bill. Our objective should be to make sure that Chairmen Ullman and Long understand that the conference will have to make very substantial improvements in the House and Senate tax bills if you are to sign the final bill.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background:

1. The House bill would reduce taxes in calendar 1979 by about \$16.3 billion, or roughly \$3 billion less than that proposed by the Administration. The distribution of the individual income tax cuts was very inequitable in the House bill, with almost every income class up to \$50,000 bearing the same or a greater share of the total tax burden than it does under present law. The House bill reduced capital gains taxes by about \$1.9 billion (with special relief for homeowners accounting for about \$700 million of that total) and, in so doing, essentially repealed the minimum tax for capital gains. The House adopted only several reform proposals made by the Administration.

2. The Finance Committee bill would reduce taxes in calendar 1979 by about \$23 billion, or roughly \$4 billion above the amount proposed by the Administration. The out-year costs of the Finance Committee bill are even greater: the bill exceeds the Administration's budget projections by over \$5 billion in FY 1980 and almost \$7 billion in FY 1981. On the Senate floor the bill has risen to roughly \$10 billion over our projections for FY 1980.

The Finance Committee bill has larger tax cuts for the low and middle income tax brackets than the House bill, but it also has over \$3 billion in capital gains reductions. As a result, although the tax cuts are larger than in the

House bill, the overall distribution is not significantly different in the upper brackets (the 2 to 3 percent of all taxpayers who make over \$50,000 get about 25% of the total tax cut in both the House and Senate bills). The Finance Committee adopted only several minor reform proposals made by the Administration. It also adopted a long list of new special interest tax loopholes.

On balance, the bill which the Finance Committee reported and the bill which will clear the Senate will be worse than the House bill.

- B. Participants: Chairmen Ullman and Long, Secretary Blumenthal, Frank Moore and Stu Eizenstat.
- C. Press Plan: None.

III. TALKING POINTS

1. See the attached copy of Secretary Blumenthal's memo. We and Treasury feel you should avoid details. This should not be a negotiating session but a chance for you to express your general concerns.
2. We think that it is important that you forcefully communicate to the Chairmen that you are totally serious in insisting that the bill which emerges from conference be substantially better than that which passed either the House or the Senate:
 - (a) Both the House and the Senate bills are unacceptable in their present forms. You and Secretary Blumenthal have repeatedly taken that position publicly and you have no intention of reversing yourselves now.
 - (b) Accordingly, the final product will have to be substantially better than either bill if there is to be any real prospect of your signing it.
 - (c) You will not sign a bill which does not meet your standards merely because of the upcoming elections. You are obligated to take a more long-run view of the bill as a matter of economic policy and overall fairness.
3. Although you should let Secretary Blumenthal handle the details of the bills, you might emphasize that:
 - (a) The final bill should be as close as possible to the Administration's proposal for FY 1979 and for the out-years as well. Because of our concerns about the deficit and inflation, we cannot afford excess out-year costs. The House bill satisfies these concerns.

(b) The overall distribution of the tax reductions (including capital gains) must be more favorable for low and middle income taxpayers than the Finance Committee bill. Secretary Blumenthal testified to the Finance Committee that the amount of the total cut (including capital gains) going to taxpayers who make above \$50,000 should be about 10 to 15 percent.

(c) A basic cause for the excessive out-year revenue losses and inequitable distribution lies in the reductions in capital gains taxes.* The capital gains reductions in the Finance Committee bill should be substantially scaled back. The total capital gains reductions (including any special homeowner relief and any reduction in corporate capital gains taxes) should not be greater than \$2 billion. (Note: The pure capital gains reductions for individuals in the House bill amounted to less than \$1 billion; the rest came from the special provision for homeowner relief and cuts in corporate capital gains taxes.) Any capital gains reductions must be accompanied by a strong and effective minimum tax.

(d) The final bill should retain the reform proposals passed by each house and should eliminate the raft of special provisions added in the Senate bill.

4. Secretary Blumenthal will be providing details of our position and will be speaking for me.

Note: Our Meeting with Bobby Shapiro

We met today with Bobby Shapiro, Chief of Staff of the Joint Tax Committee. Bobby suggested that it would be useful for us and helpful for Ullman and Long if the points set out below were made at your meeting. We do not, however, think that you should personally get into this kind of detail in the discussion. This is provided only to give you a picture of the direction the conference will hopefully take, based on Committee staff indications.

* You should not allow yourself to be drawn into any argument with Senator Long over whether capital gains tax reductions have significant "feedback" effects and are, accordingly, largely self-financing. There is little or no solid empirical evidence to support such a contention. Charlie Schultze has recently sent a letter to both Chairmen as well as the Chairmen of the Budget Committees pointing out as much.

1. The Administration supports the Senate expansion of the earned income tax credit (which provides relief for the working poor) but wants larger tax cuts in the \$10,000-\$30,000 range.
2. The Administration is as concerned about excessive out-year budget cost as we are about FY 1979 revenue losses. Specific examples of the kinds of out-year provisions which should be deleted are:
 - (a) the special standard deduction for heads of households; and
 - (b) the additional personal exemption for the disabled.
3. We oppose any corporate rate reductions below 46 percent and we oppose any increase in accelerated depreciation in this bill.
4. The Archer provision for indexing capital gains must be deleted.
5. Any capital gains reductions must be accompanied by a strong minimum tax (one which raises at least \$1 billion).
6. We favor the Senate homeowner capital gains provision over that passed by the House.
7. We oppose the expansion of the special treatment for industrial development bond financing. We particularly oppose the advanced refunding provision that would benefit E. F. Hutton.
8. The tuition tax credit provision must be deleted from the bill. (If it is contained in a separate bill, the President will veto it.)
9. Tax relief for Americans living abroad (Section 911) should not be added to the bill. If it is, the provision must be substantially similar to that which passed the Senate rather than the House version.
10. Bobby indicates that it will be very difficult to get the "cleanup" provision we want for carryover basis of capital gains at death, and that both houses want to merely defer this provision. Bobby says that Long and Ullman both prefer the cleanup but feel they do not have the votes to carry it. (Notwithstanding that, we agree with Treasury that the Administration should push hard for cleanup. Deferral without cleanup may be tantamount to elimination of carryover basis, one of the most important tax reforms passed in the last 20 years.)

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT:

Joe Pechman asked me to transmit the attached memorandum to you. Joe has read this memorandum to Art Okun and Walter Heller and he informs me that they agree with the views expressed.



Stu Eizenstat

9 Oct 78

MEMORANDUM

October 2, 1978

TO: The President
FROM: Joe Pechman J.A.P.
SUBJECT: The Tax Bill

Now that the Senate Finance Committee has completed its work, the general outlines of the tax bill as it will finally get to the President's desk have become clear. Aside from general tax cuts for individuals and businesses, the major features will be:

1. Rejection of practically all the tax reforms proposed by the Administration.
2. Enactment of huge tax reductions for the wealthy.
3. Elimination of close to half the capital gains tax.

A bill with these features will be a major set-back for tax reform; it will also waste huge amounts of revenue that could be put to better use. My own feeling is that tax and economic policy would be better served if this bill were scrapped and a simple tax cut substituted.

The worst feature of the bill is the capital gains tax cut. This cut is justified on the ground that it will increase investment and risk-taking. In fact, it is an extremely indirect incentive and would provide much less incentive than an increased investment tax credit, higher depreciation allowances, or even corporate rate cuts. The allegation that the capital gains tax cut will pay for itself is sheer nonsense. Several attempts have been made to support this view by econometric analysis, but none has survived professional scrutiny.

... continued

Representatives of the financial community have been urging capital gains tax cuts on such grounds for many years. Their campaign has been successful this year because inflation is of major concern to most Americans and they are seeking ways to protect themselves against it, including tax cuts that won't help them. Some part of capital gains is attributable to inflation, as are parts of interest, dividends, and rents; but to correct the tax system so that only real incomes are taxed would be extremely complicated and expensive. Cutting the capital gains tax will do nothing to correct the tax distortions due to inflation; it will merely benefit the wealthy, make tax shelters more attractive, and foreclose the possibility of broadening the tax base so that tax rates can be reduced for all sources of incomes.

Finally, the general income tax cut to be enacted for individuals has little to commend it on economic grounds. For anti-inflation reasons, it would be better to substitute a deferral of the \$9-billion increase in social security taxes which is now scheduled to go into effect on January 1, 1979. This action would shave about one-half of one percentage-point from the consumer price increase next year and would help make the proposed wage guidelines more acceptable to the rank-and-file of labor. Such a rollback of the social security tax, coupled with an extension of current individual taxes and adoption of the business tax cuts proposed by the Administration, would be a credible and constructive substitute for the bill which is now making its way through Congress.

9:00 AM

THE WHITE HOUSE

WASHINGTON

October 11, 1978

BILL SIGNING - H.R.8588, INSPECTORS GENERAL ACT

Thursday, October 12, 1978

9:00 a.m. (15 Minutes)

Cabinet Room

From: Frank Moore *F.M./pd*

I. PRESS PLAN

Open Coverage

II. PARTICIPANTS

The Attorney General
Jim McIntyre
Secretary Califano

Tom Morris, Inspector General, HEW
John Mansfield, Inspector General, Department of Energy
Thomas McBride, Inspector General, USDA

Senator Thomas Eagleton, Committee on Governmental Affairs
Senator Lawton Chiles, Committee on Governmental Affairs
Senator Charles Percy, Committee on Governmental Affairs

Congressman Jack Brooks, Chairman, Committee on Government Operations
Congressman Frank Horton, Ranking, Committee on Government Operations
Congressman L.H. Fountain, Chairman, Subcommittee on Inter-

governmental Relations
Congressman John Wydler, Ranking, Subcommittee on Inter-
governmental Relations

William Jones, Staff Director, Committee on Government Operations
James Naughton, Counsel, Committee on Government Operations
Ira Shapiro, Staff Director, Committee on Governmental Affairs

III. TALKING POINTS

Statement attached.

Bill Signing Statement (H.R. 8588 - Inspectors General)

Tax dollars are a public trust. Our citizens are fed up with fraud and corruption. They are fed up with bureaucratic waste. We're going to put an end to it, and the bill I am signing today is a major step in that direction.

To get rid of fraud we need to find it. To find it we need tough, honest investigators; investigators who won't be swayed by entrenched special interests. We need new blood -- new people who haven't been tainted by the "system".

H.R. 8588 will give us that new blood. It will put an Inspector General in twelve of our major departments and agencies. I will appoint these Inspectors General. They will be incorruptibly honest people with a single mission: to root out fraud, waste and corruption, and restore integrity to government.

For too long Americans have suffered the indignity of public scandal in the government. It is time to have a government as honest and decent and as competent as the American people. It is time to give the American people the government they deserve. This is what I promised two years ago; this is the true meaning of the bill I am signing today.

To show my commitment to this effort, next year I will ask the Congress to appropriate additional funds for 100 new investigators at GSA. This money will help GSA get its house in order -- and keep it that way.

I want to thank Representatives Brooks and Fountain, and Senators Ribicoff and Eagleton for giving me so much help with this bill.

#

See Attachments for Details

CONGRESSIONAL
LIAISON COMMENT

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THE WHITE HOUSE

WASHINGTON

October 11, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./L.F.*
LES FRANCIS *Les Francis*

SUBJECT: Additional Talking Points for the Bill
Signing Ceremony of H.R. 8588, Inspectors
General Act - Thursday, October 12

The Bill Signing Ceremony for the Inspector Generals Bill may provide an opportunity to secure commitments on both Natural Gas and the Department of Education bill.

Natural Gas

Of the four House Members attending the ceremony, only L.H. Fountain is a target on the Natural Gas Bill. He voted with the Administration on the energy bill last August ("No" on deregulation and "Yes" on final passage), but is reported to be "Undecided" on both the rule and final passage at this time.

Jack Brooks is committed to vote with us on the rule (his position on final passage is unknown, though he voted against final passage last August). Both Horton and Wydler were energy conferees and have indicated that they will vote against the rule.

Education

At least three of the principals involved in the Department of Education bill (Percy, Brooks and Horton) will be at the Bill Signing. If the opportunity presents itself, you ought to approach at least Jack Brooks (and perhaps the others as well) about the education bill.

You should inform Brooks that you still hope that the bill can be taken up in the House and that you have written to the Speaker urging him, if at all possible, to complete action on it this year.

Since it is likely that the bill will not be passed this week, you should be prepared to ask Brooks for a commitment to take up the bill again early next year.

THE WHITE HOUSE
WASHINGTON

10/12/78

Phil Wise
Fran Voorde

The attached was returned
in the President's outbox
today and is forwarded to
you for appropriate handling.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAF SHOON
	SCHNEIDERS
/	VOORDE
	WARREN
/	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

C
/

October 11, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: PHIL WISE *Phil*
SUBJECT: Proposed Trip to Kansas & Minnesota

After consultations with Bill Roy and the Vice President's staff, the following schedule is suggested:

SATURDAY - OCTOBER 21, 1978

9:50 a.m. Depart South Lawn.
10:10 a.m. Depart Andrews AFB.
12:00 noon Arrive Wichita, Kansas.
12:30 p.m. Address (20 minutes) State-wide Democratic Party Rally (4-5,000).
1:00 p.m. Private meeting (20 minutes) with Kansas Farm Leaders (50-75).
1:30 p.m. 15-Minute Drop-by Bill Roy Fundraiser - \$1,000/couple.
2:30 p.m. Depart Wichita
3:50 p.m. Arrive Rochester, Minnesota.
4:15 p.m. Address (20 minutes) Democratic Party Rally.
5:00 p.m. Depart Rochester.
5:50 p.m. Arrive Minneapolis, Minnesota.
6:15 p.m. Private time - Dinner (1 hour).
7:15 p.m. 15-Minute Drop-by State Democratic Party Fundraiser \$1,000/couple.
7:45 p.m. Address (20 minutes) Democratic Party rally.
8:30 p.m. Depart Minneapolis.
11:30 p.m. Arrive Andrews.
11:50 p.m. Arrive South Lawn. APPROVE DISAPPROVE

J

THE WHITE HOUSE
WASHINGTON

October 11, 1978

C/

MEMORANDUM FOR: THE PRESIDENT
FROM: PHIL WISE *PRW*
SUBJECT: Proposed Trip to Baltimore

WEDNESDAY - OCTOBER 18, 1978

6:15 p.m. Depart South Lawn.
6:40 p.m. Arrive Baltimore.
7:00 p.m. Remarks at Statewide Fundraiser for
Democratic Gubernatorial Candidate
Harry Hughes, Baltimore Civic Center.
7:50 p.m. Depart Baltimore.
8:15 p.m. Arrive South Lawn.

APPROVE ✓

DISAPPROVE _____

J

8:58 AM

THE WHITE HOUSE

WASHINGTON

October 11, 1978

PHOTO OPPORTUNITY WITH REP. STEPHEN SOLARZ (D-NY-13)

Thursday, October 12, 1978

8:58 a.m. (2 minutes)

The Oval Office

From: Frank Moore *f.m./pd*

I. PURPOSE

To be photographed with Rep. Solarz in commemoration of the signing of H.R. 7814, the Flexitime Bill.*

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Rep. Solarz introduced a provision to the flexitime bill which would allow a Federal employee whose personal religious beliefs may occasionally require absence from work, to request overtime to make up the time lost. Such overtime work would be compensated with an equal amount of time off, in lieu of overtime pay. Solarz will be accompanied by three constituents, Rabbi Morris Scherer, Stephen Silberger, and Nathan Lewin, who were instrumental in the passage of this bill.

Participants: The President, Rep. Solarz, Bill Cable, Rabbi Morris Scherer, Stephen Silberger, Nathan Lewin.

Press Plan: White House photographer only.

III. TALKING POINTS

1. Congratulate Solarz for his sensitivity to the religious problem which this bill rectifies and for his innovative solution to the problem.
2. Solarz is weak on his support for the National Energy Act. Urge his support for the adoption of the rule.

*You signed this bill on
September 29.

IV. ADDITIONAL INFORMATION

Stephen Solarz

Administration Support: 95.7% Wife: Nina

Committees:

#15 International Relations

Subcommittees: Africa
Europe & the Middle East

#12 Post Office & Civil Service

Subcommittees: Census & Population
Civil Service
Postal Operations & Services

PRESIDENT CARTER
Remarks to Open
THE BLAIR HOUSE TALKS
October 12, 1978

Distinguished Ministers, Mr. Vice President, Mr. Secretary,
friends:

For two thousand years in the Middle East, people
have cried peace, peace, when there was no peace.* The
burden of war has lain heavily on that historic ground.

But less than one month ago, President Sadat of
Egypt and Prime Minister Begin of Israel ~~gave the world~~^{created}
a ~~glimpse of the~~ chance for true peace. In their
negotiations at Camp David, they displayed the wisdom
and the courage necessary to ~~create~~^{forge} a Framework for Peace
in the Middle East.

Everyone who shares their dream of bringing division
and bitterness to an end in the Middle East will join me
in welcoming their representatives to Washington, as
they take the next vital steps toward turning that
Framework into a lasting structure of peace.

No one who is aware of the history of our generation,
or of this century, or of the last twenty centuries, can
overlook the historic importance of this moment -- the
moment when Egyptians and Israelis meet to begin negotiating
the terms of a ~~peace~~ treaty that will define in a practical
and concrete way relations of peace between them.

* This is from Jeremiah 6:14:

Our meeting today gives us the measure of what has already been accomplished, and what remains to be done to make peace and dignity a reality for all the peoples of the Middle East. We have not resolved all issues, or removed all risks.

We have established principles and procedures for resolving them in the negotiations ahead. Again we invite ^{Jordan, the inhabitants of the West Bank and Gaza, and others} all who are ready to seize this opportunity for peace to join us. The alternative is drift, stalemate, and war.

The talks that begin today deal ^{primarily} with that part of the Camp David Framework for Peace that concerns Egypt and Israel. ~~Their aim is~~ to establish the specific terms by which Egypt will resume its full exercise of sovereignty over Sinai, under which security will be assured for both countries and under which the two countries will live and work together ^{as peaceful neighbors.} ~~in peace.~~

This peace between these two great nations must be the foundation and first step toward the larger, even greater, result we all seek [^] a comprehensive and lasting settlement between Israel and all her neighbors. A peace treaty between Egypt and Israel should be complemented by progress toward fulfillment of the provisions of the general Framework agreement dealing with the West Bank and Gaza and the just solution of the Palestinian problem in all its aspects.

difficult but⁻³⁻

In the days since Camp David we have seen ^{an} important decisions made in Egypt and Israel -- decisions which demonstrate the firm commitment of ^{both} ~~their~~ Governments and ~~their~~ people, to this great effort, decisions which demonstrate their willingness and ability to turn the ~~ir~~ ^{existing} commitment to peace into ^{an early} ~~a~~ reality.

With President Sadat's striking vision of the future, he has made even more clear ^{his nation's} ~~Egypt's~~ determination to achieve peace not only for ~~itself~~ ^{Egyptians} but for all those involved in or affected by ^{recent} ~~the~~ conflict, a peace that answers their yearning for an end to bloodshed and destruction and assures ~~that~~ ^{their} legitimate rights ^{of all who have suffered through never-ending war.}

In these recent days, Prime Minister Begin has displayed once again his courage and statesmanship in dealing with the very difficult decisions that must be taken for peace. I appreciate how hard some of the decisions were for him and for the members of his Government. They touch the heart of every citizen of Israel. The Knesset's decisions confirm what we in this country have always ^{believed,} ~~known,~~ that Israel's deepest wish is to live at peace and in good neighborly relations with the countries around it.

The United States is committed, without reservation, to seeing this great process through until each party to the Arab-Israeli conflict is at peace with the others. Our own national interests are deeply involved; the question of peace or war in the Middle East affects

the well-being of every American. But beyond this, the generations-old cycle of tragedy and suffering speaks to America's moral conscience and to our deep and lasting concern for human rights and the expansion of human potential for peoples everywhere. We will work hand-in-

hand with ^{all involved} the parties until the job is done, and peace is assured.

Minister ^{Moshe} Dayan, Minister ^{Kamal} Hassan Ali, Minister ^{Ezer} Weizman,

Minister Boutros Ghali; ~~Secretary Vance, Ambassador Atherton.~~

The Egyptian, Israeli, and American peoples -- and people throughout the world -- are ^{depending on} ~~looking to~~ you now. Our hopes are with you, and our prayers.

Our assistance is available.

THE WHITE HOUSE
WASHINGTON

October 12, 1978

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Mr. President:

As I indicated over the phone, we have no problems with the latest omnibus parks bill passed by the House. The Senate will vote tomorrow on a version of the House bill which is basically acceptable to us. It is also possible that additional park-related provisions or non-germane amendments which we strongly oppose will be tacked on in the Senate. For instance, it is possible that Senator Stevens may try to attach his D-2 lands proposal to the bill. Interior officials are now meeting with him to discuss that possibility.

We feel that there is slightly better than an even chance that an acceptable bill will be approved. Phil Burton has repeatedly assured us that Congress would not send us an unacceptable bill.

Stu

Stu Eizenstat

10:55 AM

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON *KH*

DATE: 11 October 1978

SUBJECT: ANNOUNCEMENT OF PEACE TALKS
12 October 1978

10:30 A.M. Guests arrive Southwest Gate to Diplomatic Reception Room.
Hold on ground floor.

10:40 A.M. Delegations arrive Northwest Gate (two motorcades - American
Delegation arriving separately at this gate), and proceed
immediately to Blue Room.

(Refreshments in Blue Room.)

MRS. CARTER arrives State floor to Blue Room to meet with
guests.

10:55 A.M. The PRESIDENT arrives State floor and proceeds to Blue Room
for official photo session with Delegation members.

11:00 A.M. MRS. CARTER and Delegation wives are escorted to East Room and
seated (see attached.)

Delegation members are escorted from Blue Room to East Room
and seated (reserved seating.)

PRINCIPALS are announced into East Room (see attached) and
take seats on platform.

ANNOUNCEMENT BY THE PRESIDENT.

Response by Minister Dayan.

Response by LGen. Ali.

11:15 A.M. At conclusion of ceremony, PRINCIPALS depart East Room, fol-
lowed by Delegation members. PRESIDENT departs State floor, and
Delegation members depart Residence via North Portico.

MRS. CARTER and Delegation wives depart East Room to State Dining
Room for refreshments.

All guests depart East Room to State Dining Room.

Noon All guests depart Residence.

MEMORANDUM FOR THE PRESIDENT AND MRS. CARTER
11 October 1978
Page 2

MRS. CARTER and Delegation wives:

Mrs. Carter
Mrs. Dayan
Mrs. Weizman
Mrs. Gorbali
Mrs. Dinitz
Mrs. Vance
Mrs. Atherton

Seating on second row - mid-section.

NOTE: Attending members of the United States Cabinet will
be seated on the second row - other half of mid-section.

MEMORANDUM FOR THE PRESIDENT AND MRS. CARTER
11 October 1978
Page 3

Announcement:

His Excellency, Lt. General Kamal Hassan Ali
Minister of Defense of the Arab Republic of Egypt

His Excellency, Moshe Dayan
Foreign Minister of Israel

The President of the United States

THE WHITE HOUSE
WASHINGTON

October 12, 1978

MEMORANDUM TO THE PRESIDENT

FROM: Jack Watson *Jack*

SUBJECT: TELEPHONE CALL REQUEST FROM
GOVERNOR JERRY BROWN OF CALIFORNIA

Governor Jerry Brown has called and asked to speak to you this evening. There are two subjects he wishes to discuss with you:

- (1) A "personal matter"; and
- (2) A meeting that he has with President Lopez Portillo tomorrow at 11:30 a.m., California time.

On the second subject, according to Dick Silberman, Brown's Chief of Staff, Brown is getting a tremendous amount of pressure from the very large Chicano community in California to take some actions to deal with the whole range of U. S./ Mexican problems, e.g., drugs, illegal aliens' legislation, natural gas negotiations, etc. Brown wants to ask you if it would be all right for him to tell Lopez Portillo that he plans to suggest to you the appointment of either a Cabinet rank person ("Special Ambassador") or a Blue Ribbon Commission to examine the whole range of U. S./Mexican issues and to focus on ways to enhance U. S./Mexican relations. I am attaching a memorandum to you dated today from Brzezinski giving an update of U. S. policy to Mexico. It may be that Brown somehow has learned of the Javits proposal and wants to take some credit for making the suggestion to you. On the other hand, it is not an unusual proposal under the circumstances and may be entirely his own idea based on the political situation with the Mexican American community in California.

After seeing the Brzezinski memorandum and talking briefly with Bob Pastor and Rick Inderfurth, I called Silberman back and told him that the subject of U. S./Mexican

relationships was under high priority review in the NSC and that discussions on the matter between you and Governor Brown at this time would be premature. Nevertheless, the Governor wishes to speak with you about the matter.

Governor Brown is campaigning in San Diego at the moment and can be reached for the next two hours at (714) 295-9777.

I recommend that you return Governor Brown's call but that you make no commitments whatsoever on his proposals regarding U. S./Mexican relations. My concern is that the Governor will expand anything you say to him to his own political advantage, both publicly and in his private conversation with President Lopez Portillo.

In light of the current NSC review, you may wish to tell the Governor that this is simply not a good time for him to raise any of these issues with President Portillo.

Attachment

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

October 12, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: U.S. Policy to Mexico: An Update

PRM-41: U.S. Policy to Mexico

The Interagency Group set up to review U.S. policy to Mexico has met a couple of times to review papers dealing with the wide range of issues in U.S.-Mexican relations. State is currently drafting a summary memo which identifies both the immediate and the long-term issues for decision, and this will be discussed at a PRC meeting early in November. Two issues which will require decision are a strategy for natural gas negotiations and whether we want to revise the illegal aliens legislation.

Javits Proposal

Following up your conversation with Senator Javits, Assistant Secretary Pete Vaky and Bob Pastor went to Capitol Hill to discuss Javits' idea of establishing a Blue-Ribbon Commission to enhance U.S.-Mexican relations. Javits agreed to help organize a staff level meeting involving business and State Department representatives which will discuss ideas for PRM-41 and also whether a high-profile commission is necessary to achieve our shared objective in promoting private investment in Mexico.

Galvan-Mondale Meeting

The Vice President met with General Felix Galvan, Mexico's Secretary of Defense, on October 12, 1978 to discuss our cooperation on narcotics eradication and arms restraint. The meeting was extremely cordial, and the Vice President invited Galvan to attend the ceremony opening the Middle East negotiations held in the East Room.

10/12/78

meeting with

H 800 M per residence

ullman and long

THE WHITE HOUSE

WASHINGTON

- > Reject reforms. Here \rightarrow rich - Cut Cap gains $\approx 1/2$
- > Perpetuate existing cuts
- > Cap gains - # 1-Bil (H) net
50% exclusion or strong min tax
at death

- H. ok > Total \$194 B 79
Admin. proposal out year
- > Drop ADR liberalization
 - > Drop C. gains indexing (Archer amend)
 - > '76 Act carryover ^{basis provisions - clean up}
(Woodworth)
 - > Min tax. best of both bills $\approx 1/8$
 - > Dist. \approx Senate bill after C. gains cut
Reforms. best of both
 $\approx 50\% = 10-15\% \text{ cuts}$
 - > Tuition tax credit out = Sep bill veto
Simple

\$100,000 homes, 20,000 no tax

THE WHITE HOUSE
WASHINGTON

Total \leq Admin '79 +
Home re Cap Gns \$1.9 B.1
Also tax - best of both ---
→ Clean up Woodworth deferral
→ Elim \$175/estate
→ Further tax credit

THE WHITE HOUSE
WASHINGTON

10/12/78

Fran Voorde

The attached was returned
in the President's outbox
today and is forwarded to
you for appropriate handling.

Rick Hutcheson

cc: The Frist Lady
Hugh Carter

4524

THE WHITE HOUSE
WASHINGTON
October 12, 1978

9
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TO: The President
FROM: Phil Wise *Phil*
Fran Voordean *fran*
RE: Request of Georgia Senate to Hang Portrait

The Georgia Senate would like to honor you by commissioning an artist to do your portrait to hang in the Senate Chamber (behind the podium).

Mrs. Carter and Rafshoon encourage your acceptance. Mrs. Carter suggests Bob Templeton of Woodbury, Connecticut as the artist. *ok*

The Senate would like you to be present for an unveiling ceremony during their session early next year.

If you agree, we recommend tentatively planning for you to do so during Engineers Week (third week of Feb., 1979) combining a visit to Georgia Tech for the honors convocation bestowing upon you the honorary degree, Doctor of Engineering.

approve
 disapprove

J

THE WHITE HOUSE
WASHINGTON

THURSDAY - OCTOBER 12, 1978
4:35 P.M.

MR. PRESIDENT

SENATOR MUSKIE CALLED. FRANK THINKS HE'S CALLING FOR JENNINGS RANDOLPH TO ASK YOU TO PLEASE SIGN THE HIGHWAY BILL. THIS IS A GOOD OPPORTUNITY FOR YOU TO PASS THE WORD BACK TO RANDOLPH TO TRY TO GET THE BILL DOWN SOME. PERCEPTION ON THE HILL AND IN THE PRESS IS THAT WE HAVE WON A GREAT VICTORY BY BRINGING THE BILL DOWN AS LOW AS WE HAVE. WE SET OUR BOTTOM LINE TOO LOW AT \$48.

#

4:40 P.M.

SENATOR JENNINGS RANDOLPH CALLED.

#

4:45 P.M.

SENATOR WILLIAM ROTH RETURNED YOUR CALL.

PHIL

THE WHITE HOUSE
WASHINGTON

OCTOBER 12, 1978
4:50 P.M.

MR. PRESIDENT

SENATOR MOYNIHAN HAS REQUESTED
THAT YOU CALL HIM BEFORE 7 P.M.
WHEN THE TAX CONFEREES RECONVENE
TONIGHT.

#

THE ATTORNEY GENERAL CALLED TO LET
YOU KNOW THE HOUSE PASSED THE FOREIGN
INTELLIGENCE ACT AND IT IS NOW
READY FOR SIGNATURE.

#

4:50 P.M.

FRANK MOORE CALLED.

PHIL

THE WHITE HOUSE
WASHINGTON

10/12/78

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
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	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
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	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

5/11
info @

United States Senate

WASHINGTON, D.C. 20510

October 12, 1978

MEMORANDUM ON SUGAR

To: The President
From: Russell B. Long, U.S.S.

I ask that you give the following facts your personal consideration:

1. A reasonable sugar price support is necessary. USDA studies indicate:
 - production costs exceed 16¢ per pound in 9 sugar producing states;
 - 7 of those 9 states have costs above 17¢ per pound;
 - more than 1/2 of the domestic sugar is produced at a cost in excess of the support level in the House-passed bill.
2. Provisions must be made for future adjustments in the support level to reflect changes in production costs.
3. An increase of 1¢ in the support level will cost the consumer less than 1/3¢ per day. This is low-cost insurance against fluctuating supplies and gyrating prices.
4. A viable domestic sugar industry:
 - assures consumers a dependable supply of sugar at fair and stable prices;
 - is important to the economy of 21 sugar-producing states and to other states whose industries supply goods and services to sugar farmers and processors;
 - prevents a larger balance-of-payments deficit.

Sign Insp Gen Bill ¹⁰⁻¹²⁻⁷⁸

Tax # pub trust - Fraud,
Waste, misman = Fed up

Get rid - find first

New blood - not tainted

12 dept - Insp Gen

Appt - Sen - Hatch

Brooks - Fountain -

Ribicoff - Eagleton

Invest - Audit -

→ Ag head imme

→ Justice - law vrol

→ Corp - Comments only

Whistle blowers

THE WHITE HOUSE
WASHINGTON

10/12/78

Mr. President:

Since Chancellor Schmidt is planning to be in Jamacia on december 27 and 28 and your calendar is open during this week after christmas, it would be best to schedule your Caribbean meeting during this time period.

Shall I proceed with Zbig to set the meeting for 2 or 3 days during december 27-31 (wed-sun).

yes no

Phil

Wade E Zbig

J

THE WHITE HOUSE
WASHINGTON

Mr President!

10/12/79

If you call Gw
Brown it would be best
not to mention a possible
trip to California by you.
Tim is making calls now
on the feasibility.

Phil

PRESIDENT JIMMY CARTER
REMARKS OPENING THE BLAIR HOUSE TALKS
OCTOBER 12, 1978, 10:55 A.M.

DISTINGUISHED MINISTERS, MR. VICE PRESIDENT, MR. SECRETARY, FRIENDS:

FOR TWO THOUSAND YEARS IN THE MIDDLE EAST, PEOPLE HAVE CRIED PEACE,
PEACE, WHEN THERE WAS NO PEACE. THE BURDEN OF WAR HAS LAIN HEAVILY ON
THAT HISTORIC GROUND.

BUT LESS THAN ONE MONTH AGO, PRESIDENT SADAT OF EGYPT AND PRIME
MINISTER BEGIN OF ISRAEL CREATED A CHANCE FOR TRUE PEACE. IN THEIR
NEGOTIATIONS AT CAMP DAVID, THEY DISPLAYED THE WISDOM AND THE COURAGE
NECESSARY TO FORGE A FRAMEWORK FOR PEACE IN THE MIDDLE EAST.

(=OVER=) (EVERYONE WHO SHARES.....)

EVERYONE WHO SHARES THEIR DREAM OF BRINGING DIVISION AND BITTERNESS
TO AN END IN THE MIDDLE EAST WILL JOIN ME IN WELCOMING THEIR
REPRESENTATIVES TO WASHINGTON, AS THEY TAKE THE NEXT VITAL STEPS TOWARD
TURNING THAT FRAMEWORK INTO A LASTING STRUCTURE OF PEACE.

NO ONE WHO IS AWARE OF THE HISTORY OF OUR GENERATION, OR OF THIS
CENTURY, OR OF THE LAST TWENTY CENTURIES, CAN OVERLOOK THE HISTORIC
IMPORTANCE OF THIS MOMENT -- THE MOMENT WHEN EGYPTIANS AND ISRAELIS MEET
TO BEGIN NEGOTIATING THE TERMS OF A TREATY THAT WILL DEFINE IN A
PRACTICAL AND CONCRETE WAY RELATIONS OF PEACE BETWEEN THEM.

OUR MEETING TODAY GIVES US THE MEASURE OF WHAT HAS ALREADY BEEN
ACCOMPLISHED, AND WHAT REMAINS TO BE DONE TO MAKE PEACE AND DIGNITY A
REALITY FOR ALL THE PEOPLES OF THE MIDDLE EAST.

(=NEW CARD=) (WE HAVE NOT RESOLVED,...)

WE HAVE NOT RESOLVED ALL ISSUES, OR REMOVED ALL RISKS.

WE HAVE ESTABLISHED PRINCIPLES AND PROCEDURES FOR RESOLVING THEM IN
THE NEGOTIATIONS AHEAD. AGAIN, WE INVITE JORDAN, THE INHABITANTS OF THE
WEST BANK AND GAZA, AND OTHERS WHO ARE READY TO SEIZE THIS OPPORTUNITY
FOR PEACE TO JOIN US. THE ALTERNATIVE IS DRIFT, STALEMATE, AND ~~WAR~~.
PERHAPS ANOTHER WAR.

THE TALKS THAT BEGIN TODAY DEAL PRIMARILY WITH THAT PART OF THE
CAMP DAVID FRAMEWORK FOR PEACE THAT CONCERNS EGYPT AND ISRAEL -- TO
ESTABLISH THE SPECIFIC TERMS BY WHICH EGYPT WILL RESUME ITS FULL EXERCISE
OF SOVEREIGNTY OVER SINAI, UNDER WHICH SECURITY WILL BE ASSURED FOR BOTH
COUNTRIES AND UNDER WHICH THE TWO COUNTRIES WILL LIVE AND WORK TOGETHER
AS PEACEFUL NEIGHBORS.

(=OVER=) (THIS PEACE BETWEEN THESE TWO.....)

THIS PEACE BETWEEN THESE TWO GREAT NATIONS MUST BE THE FOUNDATION AND FIRST STEP TOWARD THE LARGER, EVEN GREATER, RESULT WE ALL SEEK -- A COMPREHENSIVE AND LASTING SETTLEMENT BETWEEN ISRAEL AND ALL HER NEIGHBORS.

A PEACE TREATY BETWEEN EGYPT AND ISRAEL SHOULD BE COMPLEMENTED BY PROGRESS TOWARD FULFILLMENT OF THE PROVISIONS OF THE GENERAL FRAMEWORK AGREEMENT DEALING WITH THE WEST BANK AND GAZA AND THE JUST SOLUTION OF THE PALESTINIAN PROBLEM IN ALL ITS ASPECTS.

IN THE DAYS SINCE CAMP DAVID WE HAVE SEEN DIFFICULT BUT IMPORTANT DECISIONS MADE IN EGYPT AND ISRAEL -- DECISIONS WHICH DEMONSTRATE THE FIRM COMMITMENT OF BOTH GOVERNMENTS AND PEOPLES TO THIS GREAT EFFORT,.... DECISIONS WHICH DEMONSTRATE THEIR WILLINGNESS AND ABILITY TO TURN THE EXISTING COMMITMENT TO PEACE INTO AN EARLY REALITY.

(=NEW CARD=) (WITH PRESIDENT SADAT'S,....)

WITH PRESIDENT SADAT'S STRIKING VISION OF THE FUTURE, HE HAS MADE EVEN MORE CLEAR HIS NATION'S DETERMINATION TO ACHIEVE PEACE NOT ONLY FOR EGYPTIANS, BUT FOR ALL THOSE INVOLVED IN OR AFFECTED BY RECENT CONFLICT,.... A PEACE THAT ANSWERS THEIR YEARNING FOR AN END TO BLOODSHED AND DESTRUCTION, AND ASSURES THE LEGITIMATE RIGHTS OF ALL WHO HAVE SUFFERED THROUGH NEVER-ENDING WAR.

IN THESE RECENT DAYS, PRIME MINISTER BEGIN HAS DISPLAYED ONCE AGAIN HIS COURAGE AND STATESMANSHIP IN DEALING WITH THE VERY DIFFICULT DECISIONS THAT MUST BE TAKEN FOR PEACE. I APPRECIATE HOW HARD SOME OF THE DECISIONS WERE FOR HIM AND FOR THE MEMBERS OF HIS GOVERNMENT. THEY TOUCH THE HEART OF EVERY CITIZEN OF ISRAEL.

(=OVER=) (THE KNESSET'S DECISIONS,....)

THE KNESSET'S DECISIONS CONFIRM WHAT WE IN THIS COUNTRY HAVE ALWAYS BELIEVED -- THAT ISRAEL'S DEEPEST WISH IS TO LIVE AT PEACE AND IN GOOD NEIGHBORLY RELATIONS WITH THE COUNTRIES AROUND IT.

THE UNITED STATES IS COMMITTED, WITHOUT RESERVATION, TO SEEING THIS GREAT PROCESS THROUGH UNTIL EACH PARTY TO THE ARAB-ISRAELI CONFLICT IS AT PEACE WITH THE OTHERS.

OUR OWN NATIONAL INTERESTS ARE DEEPLY INVOLVED, ... THE QUESTION OF PEACE OR WAR IN THE MIDDLE EAST AFFECTS THE WELL-BEING OF EVERY AMERICAN.

BUT BEYOND THIS, THE GENERATIONS-OLD CYCLE OF TRAGEDY AND SUFFERING SPEAKS TO AMERICA'S MORAL CONSCIENCE AND TO OUR DEEP AND LASTING CONCERN FOR HUMAN RIGHTS AND THE EXPANSION OF HUMAN POTENTIAL FOR PEOPLES EVERYWHERE.

(=NEW CARD=) (WE WILL WORK HAND-IN-HAND,....)

WE WILL WORK HAND-IN-HAND WITH ALL INVOLVED PARTIES UNTIL THE JOB
IS DONE AND PEACE IS ASSURED.

MINISTER MOSHE DAYAN, MINISTER KAMAL HASSAN ALI,
MINISTER EZER WEIZMAN, MINISTER BOUTROS GHALI: THE EGYPTIAN, ISRAELI,
AND AMERICAN PEOPLES -- AND PEOPLE THROUGHOUT THE WORLD -- ARE
DEPENDING ON YOU NOW.

OUR ASSISTANCE IS AVAILABLE.

OUR HOPES ARE WITH YOU,...AND OUR PRAYERS.

#

THE WHITE HOUSE
WASHINGTON

October 12, 1978

Jack Watson

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Missy Mandell

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

cc Missy

ACTION
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	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: October 11, 1978

TO: Susan Clough

FROM: **MISSY MANDELL** *mm*

I have enclosed a copy of a recent speech presented by Harry M. Caudill, a noted author and expert on Appalachia.

The President has read Mr. Caudill's book entitled My Land Is Dying and met Mr. Caudill at the signing of the strip mine legislation last year. From what the President said, I believe that he enjoyed Mr. Caudill's writing, and that he will enjoy reading the enclosed material.

I have also enclosed a few editorials written about this speech.

I would appreciate your passing this speech on to the President when you feel it is appropriate.

Thanks!

Jack Watson
pursue this
J.C.

Sunday Herald-Leader

Creed C. Black, Chairman and Publisher

Don Mills, Editor
Lexington Herald

Thomas M. Buckner
*President and
General Manager*

Steve Wilson, Editor
The Lexington Leader

August 27, 1978

Page A-14

New Life for Appalachia Mapped By Caudill's Speech in Charleston

Appalachia's absentee owners — among them some of the best-known philanthropic families in America — can help bring a better way of life to the people of the depressed region.

That was the message last week when Harry M. Caudill, noted author from Whitesburg, spoke to civic and political leaders in Charleston, W. Va. Caudill believes the giant corporations and wealthy families which own vast reaches of Appalachia possess the technical and managerial skills and the financial resources to vastly improve the quality of life in Appalachia.

Among the wealthy families are names like Rockefeller, Mellon, DuPont and Ford. Among the corporations are United States Steel, Continental Oil, Occidental Petroleum, Ford Motor Company and Union Carbide.

It is in their interest to help improve life in Appalachia, Caudill argued persuasively. Moreover, because of the wealth they have pillaged from the land, it is their duty to do so. And if they can't be persuaded to do it of their own accord, Appalachian states "should tax them within an inch of their lives," Caudill said.

In short, Caudill is saying the people of Appalachia deserve to benefit from the tremendous natural resources of their region, resources that have helped make others wealthy. He is right.

For too long Eastern Kentuckians — all of Appalachia's people — have paid for quality lives for people living in New York, Washington, Philadelphia and elsewhere while they themselves languished in poverty. While philanthropists who made big money from Appalachian coal were building art museums and colleges around the nation,

Eastern Kentucky children traveled along pitiful roads torn up by coal trucks to get to inadequate schools.

While executives of the big corporations holding Appalachian land were pondering investment decisions in corporate board rooms, Appalachian strip mines were killing twice as many men as subterranean mines in Holland.

Corporations that "spend billions to polish up their public images" could do plenty to help their images by cooperating to help the people of Appalachia, Caudill argued.

The themes of Caudill's speech are not new. He has elaborated on them before, in his *Watches of the Night* and *Night Comes to the Cumberlands*. The latter book helped launch a nationwide interest in Appalachia.

The Charleston speech, however, is a succinct statement of his major themes. It also names names; it tells how much land various families and corporations hold; it suggests remedies for Appalachia's maladies.

When Caudill speaks on Appalachia, Kentuckians should listen. He understands the historical forces that have made the region what it is. He understands the dynamics that keep it what it is.

The Charleston speech should be required reading for every public official and civic leader in Appalachia. Kentucky's General Assembly and the governor and his staff should read it.

The public should make it an issue in next year's gubernatorial race.

Which candidate has the will and the leadership abilities to see that absentee owners fulfill their responsibilities to Eastern Kentuckians?

That should be one of the questions foremost in the voters' minds.

The Courier-Journal September 2, 1978
Harry Caudill offers a challenge to Appalachia's absentee landlords



Harry Caudill: a bold blueprint.

THE MOST TRENCHANT of spokesmen for impoverished Appalachia, Harry M. Caudill, has laid down a challenge to some of the nation's wealthiest families and corporations that they can't in good conscience ignore. It's also one that the nation can ill afford to have ignored.

In a speech at Charleston, West Virginia, last week, the Kentucky author and attorney repeated his convincing indictment of the historic, colonialist exploitation of Appalachia and its legacy of ruined land and impoverished people. He followed the well-documented charges with a sound proposal for change.

Simply put, Mr. Caudill called on the people and corporations who have extracted wealth from the eastern mountains through the years to join with the states of central and southern Appalachia in a cooperative effort. This would be to erase old ills and create a new climate in which both corporations and people can profit.

What Mr. Caudill has in mind isn't

charity. It's the investment both of money and of the corporations' enormous resources of technological and managerial skills to rectify some of the problems they've created in the past.

For example, the critical shortage of decent housing in much of Appalachia might be remedied if corporate employers built attractive housing developments. This would give coal miners the chance to buy homes with the amenities that middle-class people in other regions take for granted. Self-interest should motivate the parent corporations to help miners get out of what Mr. Caudill calls "the stifling shacks and house-trailers that now trap them." It would be a move toward the kind of stable, reliable labor force that the coal industry needs so badly.

Lack of level land and of stable employment have been the main reasons for the Appalachian housing problem. But the challenge of solving it is made to order for the expertise and imagination that

American business leadership could offer.

Perhaps, if Mr. Caudill's plan had been functioning earlier, such projects as the coal gasification plant now scheduled for the Bluegrass community of Georgetown would be located in the coalfields, where they more properly belong.

The Georgetown plant is designed to produce low-BTU gas from shipped-in coal to serve industries in an industrial park. But many Georgetown residents understandably feel that the community neither wants nor needs the development. Meanwhile, many Eastern Kentucky mountain towns with plenty of coal at hand urgently need just such a venture.

Mr. Caudill has suggested that the Appalachian states — perhaps acting through their universities — take the initiative by challenging the corporations to join them in a cooperative effort. It's an idea with the potential of moving far beyond the limited successes of governmental agencies in erasing the mistakes of the past.

LEXINGTON HERALD

Creed C. Black, Chairman and Publisher

Don Mills
Editor

Thomas M. Buckner
President and
General Manager

Andrew Eckdahl
Senior Managing Editor

Jim Green, Managing Editor

Friday Morning, September 8, 1978

Page A-14

Appalachian Development Council Could Profit From Caudill's Ideas

If Kentucky's Appalachian Development Council wants a good start on improving life in Eastern Kentucky, the 20 members ought to burn the midnight oil studying Harry Caudill's ideas.

The very thought might rankle some of the members, particularly those from coal and related industries. Caudill is not particularly fond of the coal industry. Understandably, some people in the coal industry feel just as cold about Caudill.

But no matter what they might think of Caudill, everyone on the council should read his two books on Appalachia, *Watches of the Night* and *Night Comes to the Cumberlands*. They also ought to get a copy of a speech he delivered in Charleston, W.Va., on Aug. 24.

His books contain perceptive analyses of how Appalachia came to be a land of impoverished people. More importantly, however, Caudill offers specific suggestions for what can be done to help mountain people attain the affluent life other Americans enjoy.

And in the Charleston speech, the Whitesburg attorney suggests a promising alternative for bringing a better life to the mountains: Enlist the help of the major corporations and wealthy families holding vast investments in Appalachia.

Caudill believes these corporations have the financial and managerial skills to help make life better in Harlan and Hazard and Pikeville and hollows surrounding those towns. He also believes it is in their interest to do so.

He made a good argument in Charleston. The Appalachian Development Council ought to consider ways of approaching these families and corporations for help.

The council was created back in June. It is supposed to come up with recommendations for Gov. Julian Carroll and the General Assembly on ways to improve the quality of life in Eastern Kentucky. The council will study five general areas: education, transportation, quality of life, diversifying the economy, and the relationship among local, state and federal governments.

J.L. Jackson, president of Falcon Coal Co., told the council he believed education is the major problem. Jackson is right. Better educated people will provide the basis for better life in the mountains.

The pathetic state of schools in some parts of Eastern Kentucky was again dramatized two weeks ago when protesting parents closed down several schools in Pike County. Among their complaints: inadequate sewers that allowed raw sewage to seep onto the school ground. And yet Pike County is among the state's top coal producers and its residents earn among the highest average salaries in Kentucky.

Jackson also told the council that a diversified economy would actually be a boon to the coal industry. Coming from the president of a coal company, that ought to help set a positive tone for the council's work.

When the council met in Frankfort Tuesday, Gov. Carroll borrowed from Caudill's title *Night Comes to the Cumberlands* to offer this challenge: "I believe that we can rewrite the history of the mountains ... and say that light has come to the Cumberlands."

While the council can't wipe out Appalachia's impoverished past, it certainly can help see that the darkness continues to lift.

THE WHITE HOUSE
WASHINGTON

10/12/78

Frank Moore

The attached was returned in
the President's outbox today
and is forwarded to you for appropriate
handling.

Rick Hutcheson

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	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

CONGRESSIONAL TELEPHONE CALL

Frank -
7 Commitment
to Gillis Long
J

TO: CONGRESSMAN BERNIE SISK
DATE: Thursday, October 5, 1978
RECOMMENDED BY: Frank Moore, Stu Eizenstat
PURPOSE: To convince him to support the leadership position in the Rules Committee on the energy legislation.
BACKGROUND: The Congressman's vote will also be critical in the effort to get a rule packaging all of the conference reports into one bill.

Recently, some progress has been made in meeting the needs of the Westlands Water District which he represents. This week the Interior Department reached agreement with the Westlands Water District representatives on two contracts that will have the effect of insuring continued water supply in the district. There had been some concern that the Administration's 160-acre limitation position would have forced federal water to be cut off from the Westlands District. The contracts are now before Congress for its approval. If the opportunity arises, you might indicate that the contracts have the Administration's strong support and you are anxious to work with him to secure Congressional approval.

- TOPICS OF DISCUSSION:
1. I am glad that some progress is being made in solving the problems of the Westlands Water District. We would like your help in getting the contracts recently negotiated between the Interior Department and the district approved by Congress.
 2. I am calling to ask for your support of the leadership position on the energy bill. The leadership and I feel strongly that a rule should be granted which will enable the House to vote on all the conference reports including natural gas as one single bill.

3. By having a single vote, we think that the problems involved at the end of the session can be avoided and a sound energy bill can be enacted.

4. Your vote in the Rules Committee will be very important to determining whether or not we can get a rule which allows the energy conference reports to be packaged as one bill. I urge you to vote for such a rule.